**Jewel Companies, Incorporated Annual Report -- 1976**
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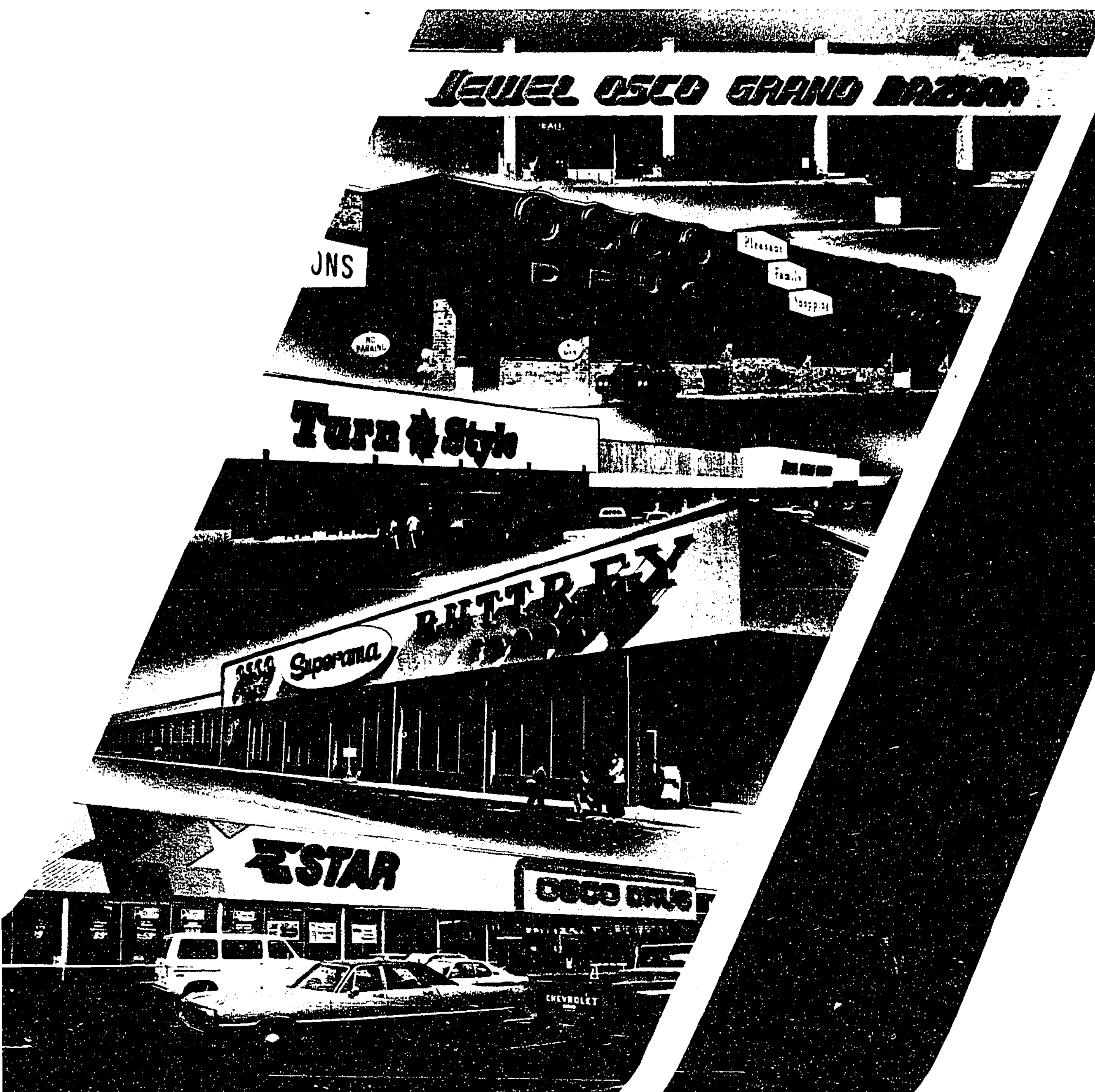
# Jewel Companies, Inc.
# 1976 Annual Report

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# The Jewel Companies

### Buttrey Food Stores

Buttrey Foods joined Jewel in 1966. Headquartered in Great Falls, Montana, its 43 stores serve Idaho, Minnesota, Montana, North Dakota, Oregon, Washington and Wyoming. High quality and decentralization of management responsibility are key to Buttrey Foods' operation.

### Eisner Food & Agency Stores

Eisner Food Stores, which joined Jewel in 1957, is headquartered in Champaign, Illinois. Eisner operates 34 supermarkets in central Illinois and Indiana, four of which are relatively new Big E Warehouse stores. The company also franchises 54 independent store owners through its Wholesale Division.

### Jewel Food Stores

Dating back to 1932, Jewel Food Stores today serve the greater Chicago area, western Illinois, northern Indiana, lower Michigan and southern Wisconsin with 240 stores. Most Jewel stores combine food and general merchandise, and feature shop presentations of such products as pastry, sausage and prepared foods. The Grand Bazaar store is Jewel's newest supermarket concept.

### Star Market Co.

Star Markets, a Jewel company since 1964, serves four New England states with 61 stores. Respected throughout New England for unusual service, fresh produce and fish, Star stores combine the efficiency of a supermarket with the satisfaction of personal customer service.

### Osco Drug, Inc.

Osco merged with Jewel in 1961, at the time operating 31 stores in the Midwest. In 1975, Osco Drug, Inc. was reorganized as Jewel's one general merchandise company with four divisions (Osco Chicagoland, Osco National, Turn*Style and Republic Lumber).

Osco Drug divisions now operate 223 stores in 18 states ranging in size up to 33,928 sq. ft. Of these units, 138 are located with a Jewel, Star, Eisner or Buttrey supermarket.

Turn*Style joined Jewel in 1962 with four Boston stores. At the end of 1976, it operated 28 stores in the Midwest. These stores average over 103,000 square feet and combine self-service mass merchandising and promotional pricing.

Republic Lumber joined Jewel in 1972. Republic sells lumber and home improvement supplies at its five Chicagoland locations.

### Brigham's

Brigham's has built a reputation as a Boston "institution" during its 61-year history. It now operates 104 ice cream/candy parlors and sandwich shops. Central manufacturing of ice cream insures the highest quality.

### Direct Marketing Division

The first Jewel company (founded in 1899 as the Jewel Tea Company), the Direct Marketing Division covers 40 states plus the District of Columbia. Its 1,374 routes offer a wide array of grocery and general merchandise products for in-home shopping. Manufacturing operations are a significant part of the Division. Over 200 companies buy products made at the Barrington, Illinois plant.

### Mass Feeding Corporation

A 1970 Jewel investment that became a full-fledged Jewel company in 1974, MFC is headquartered in Elk Grove Village, Illinois. This company has developed a specialized approach in frozen meal preparations. It now serves 972 elementary and junior high schools, principally in the Midwest and Atlantic states.

### White Hen Pantry

The White Hen Pantry division developed from within Jewel Companies in 1965. Convenience food shopping is now provided through 217 stores in a variety of locations ranging from cities like Milwaukee, Boston and Chicago to smaller towns in Illinois and Wisconsin. Independent owner-operator families run most of these stores.

### 1976 Retail Store Square Footage

| | Beginning of Year | Added | Closed | End of Year |
|---|---|---|---|---|
| | *(In thousands)* | | | |
| Supermarkets: | | | | |
| Buttrey Food Stores | 1,015 | 35 | | 1,050 |
| Eisner Food Stores | 736 | 8 | 14 | 730 |
| Jewel Food Stores | 6,509 | 358 | 244 | 6,623 |
| Star Market Co. | 1,760 | 51 | 28 | 1,783 |
| Total | 10,020 | 452 | 286 | 10,186 |
| General Merchandise Stores: | | | | |
| Osco Drug Stores | 3,611 | 359 | 213 | 3,757 |
| Turn*Style | 2,476 | 93 | 105 | 2,464 |
| Republic Lumber | 189 | 30 | 31 | 188 |
| Total | 6,276 | 482 | 349 | 6,409 |
| Brigham's | 294 | 8 | 2 | 300 |
| White Hen Pantry | 551 | 5 | 4 | 552 |
| Total Square Footage | 17,141 | 947 | 641 | 17,447 |

Note: Square footage added and closed includes transfers between companies and remodeling.

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# Results in Brief
## Jewel Companies, Inc.

1

| (In thousands except per share figures) | Fiscal Year 1976 Amount | 1976 % | Fiscal Year 1975 Amount | 1975 % | % Increase 1976 Over 1975 |
|---|---|---|---|---|---|
| Sales: | | | | | |
| Supermarkets | $2,173,561 | 72.9% | $2,065,879 | 73.3% | 5.2% |
| General merchandise stores | 617,423 | 20.7 | 565,921 | 20.1 | 9.1 |
| Other operations | 190,445 | 6.4 | 185,954 | 6.6 | 2.4 |
| Total sales | $2,981,429 | 100.0% | $2,817,754 | 100.0% | 5.8 |
| Operating Income (before interest and income taxes): | | | | | |
| Supermarkets | $ 32,466 | 56.2% | $ 30,179 | 59.4% | 7.6 |
| General merchandise stores | 19,308 | 33.4 | 15,656 | 30.9 | 23.3 |
| Other operations | 6,024 | 10.4 | 4,944 | 9.7 | 21.8 |
| Total operating income | $ 57,798 | 100.0% | $ 50,779 | 100.0% | 13.8 |
| Earnings of U.S. Companies | $ 24,109 | | $ 21,147 | | 14.0 |
| Equity in Aurrera, S.A.: | | | | | |
| Earnings | 8,747 | | 7,545 | | 15.9 |
| Unrealized gain on foreign currency translation | 3,309 | | – | | – |
| Net Earnings | $ 36,165 | | $ 28,692 | | 26.0 |
| Return on total sales | 1.2% | | 1.0% | | |
| Return on shareholders' average equity | 11.6% | | 9.8% | | |
| Average Common Shares Outstanding | 11,507 | | 11,452 | | |
| Earnings Per Common Share | $ 3.14 | | $ 2.50 | | |
| Dividends Paid Per Common Share | 1.25 | | 1.20 | | |
| New Property, Plant and Equipment: | | | | | |
| Jewel Companies, Inc. | $ 39,332 | | $ 43,629 | | |
| Real estate affiliates | 12,590 | | 9,927 | | |
| Square Footage of Retail Stores (at year end) | 17,447 | | 17,141 | | |

Copies of the Company's Annual Report (Form 10-K) filed with the Securities and Exchange Commission may be obtained without charge upon request to Secretary, Jewel Companies, Inc., 5725 N. East River Road, Chicago, Illinois 60631.

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# 1976 Report from Jewel's Chairman and President

Consolidated net earnings of Jewel Companies, Inc. in 1976 amounted to a record high of $36.2 million or $3.14 per share. Earnings per share increased 26% over 1975 on a sales increase of 6%. Sales have increased for 33 consecutive years and totaled $2.98 billion in 1976. Earnings have increased in 29 of those 33 years. Dividends were increased for the 12th consecutive year and were $1.25 per share during 1976.

These record results are a credit to the value and service provided to American consumers in 46 states by more than 52,000 dedicated full and part-time Jewel people and to the continued growth and success of Jewel's investment in Mexico's largest retailer, Aurrera.

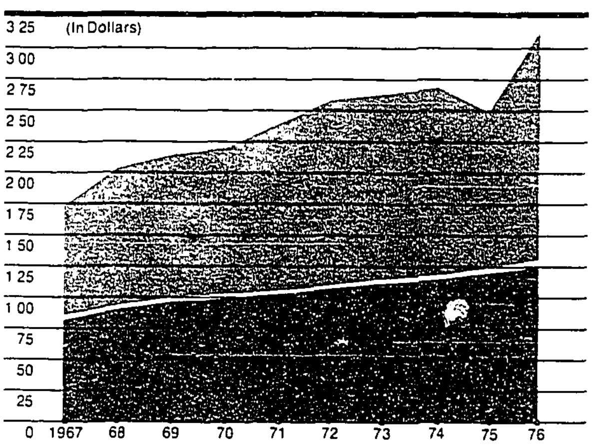
## Highlights of 1976

■ Net earnings from domestic operations recovered from a depressed 1975, increasing 14% during the year. Leading the way were Jewel's Osco Drug store and Turn*Style store general merchandise retail businesses which continued excellent earnings growth. Osco Drug stores were particularly strong with operating earnings (after all costs except interest and taxes) increasing 24% on a 12% sales increase. Turn*Style's operating earnings rose 40% as it continued to recover from the difficulties encountered in 1974.

■ The Chicago price war abated, sales strengthened considerably near the end of the year, and Jewel Food Stores operating earnings improved from the depressed level of 1975. Jewel Food Stores' 1976 earnings, however, were below their record earnings of 1974. The operating earnings of Buttrey, with stores in seven western states, continued to be strong while Eisner and Star earnings were down in 1976 from 1975 due to unusual competitive pricing activity in their markets.

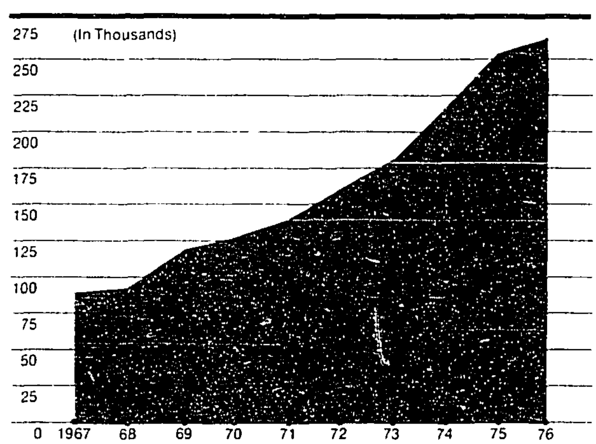
■ The combined 1976 operating earnings of the Direct Marketing, Mass Feeding and White Hen Pantry divisions were up 50% in 1976 over 1975. While Brigham's lost money in 1976, its management has positive and attractive programs to reshape Brigham's for the future. The decision to close Brigham's candy plant at the end of the 1976 fiscal year at a cost of 5¢ per share caused Brigham's loss.

■ Jewel's manufacturing and processing represented 9% of our corporate sales in 1976 and continued to increase in earnings contribution. Eighteen separate plants at 13 locations produce a wide variety of products for both our own retail sales and for more than 200 wholesale accounts.




**Earnings & Dividends Per Share**

EARNINGS ■ DIVIDENDS




**Retail Value of Manufactured Goods**

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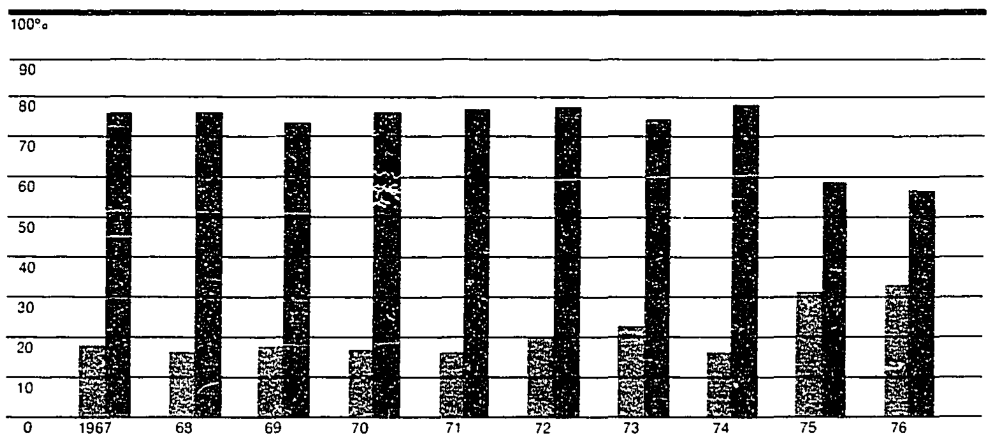
■ Jewel initiated a major effort in 1976 to reduce "shrink," the disappearance of merchandise from our stores and facilities that results from pilferage, theft, system inadequacies and, at times, careless handling. Good response by our people to these challenges added to our earnings improvement.

■ The contribution to Jewel's earnings from its investment in Mexico's Aurrera was $1.05 per Jewel share in 1976 compared to 66¢ per Jewel share in the prior year. Fluctuation in value of the peso since August 31, 1976, impacted Jewel's earnings during the year in two important ways. First, although Aurrera earnings in pesos increased 51% during Jewel's fiscal year, translation of Aurrera's earnings reflected the decline in the peso value beginning early in Jewel's third quarter. Jewel's equity in Aurrera's earnings translated into dollars increased 51% in the first half but declined 14% in the second half of 1976 compared to 1975. Second, a translation of the balance sheet of Aurrera is now required by accounting standards with the result that Jewel earnings were increased by 33¢ per share in the third quarter and decreased by 4¢ in the fourth quarter, a net non-cash gain of 29¢ for the year. This occurred because Aurrera consistently and intentionally operates with more liabilities (principally supplier payables) than inventories and other current assets. The combined effect of the peso devaluation on Jewel's 1976 earnings was an addition of 7¢ per share. For a more complete description of Aurrera see pages 14 and 15 of this report.

■ Jewel's financial position further improved this year. The ratio of total debt to total debt and equity (excluding real estate affiliates) was 23.5% at year end 1976 compared with 25.5% in 1975 and 31.9% in 1974. The ratio of total debt including real estate affiliates and the present value of all leases declined to 53.0% in 1976 from 54.9% in 1975 and 57.5% in 1974.

## 1977 and Beyond

Relatively flat earnings results during the first half of the decade of the '70s and a feeling of dissatisfaction with our growth directions in recent years led us to initiate in 1976 a major reassessment of Jewel and its future. Through "Jewel of the '80s" committees in our operating companies and at the corporate level, scores of talented Jewel people have been involved in this reassessment. Past investment decisions, changing consumer attitudes, recent and projected demographic changes, acquisition advantages and disadvantages in a variety of fields, human strengths and financial resources are among the factors being critically




**Operating Income Percents** (Domestic only)

FOOD STORES GENERAL MERCHANDISE OTHER

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reviewed. This work began in March of 1976 and will continue through the first half of 1977. However, a progress report on the assessments Jewel people are making and the programs and experiments they are suggesting seems both appropriate and timely.

**Assessment:** Combinations of food and general merchandise seem to offer a most attractive and satisfying environment for major shopping trips.

Whenever possible, new Jewel facilities will be further developments of this approach which was pioneered by Jewel in the early 1960s. For a description of the food-general merchandise facility development within Jewel, see pages 8 to 13 in this report. Currently, nearly one-half of the sales of Jewel companies are derived from locations which combine Jewel-operated food and drug or discount general merchandise retail facilities. Included in the study of the "Jewel of the '80s" committees is an assessment of the feasibility of investing in Grand Bazaar-Osco stores in areas not now served by Jewel companies.

**Assessment:** Small, full-service supermarkets require increasingly and unrealistically higher sales to be profitable.

Enlargements (or relocations where enlargements are not possible) will probably continue to be the major thrust of our existing supermarket companies in the coming years. We expect to operate fewer but larger supermarkets which should enable us to maintain or increase the number of customers we serve in each market and to provide that service profitably. The success of our large Grand Bazaars reinforces our confidence in the economies, the sales mix and margin, and the customer appeal of such stores. We now have eight Grand Bazaars which range in size from 35,000 to 47,000 sq. ft. of grocery selling area.

**Assessment:** In the future, smaller stores will more likely be better operated by local franchised owners than as corporate outlets.

Jewel's successful experience with franchising White Hen Pantry (206 stores franchised) and licensing Eisner Agency Stores (54 agency stores) has provided valuable experience and suggests further opportunities for franchising. Because existing Brigham's Ice Cream Stores seem to offer attractive earnings for independent operators, plans are underway to franchise that business.


Jewel Food Stores has developed a generic label (no brand name) family of products. In addition to being demonstrated by Jewel's Home Economists in the Grand Bazaars, they are also being presented by selected store Home Economists to their Consumer Advisory Councils.

(Right) During 1976, Star Markets introduced a new line of 480 private label items. These Star label products exemplify Jewel's commitment to increased product value by using private label and inexpensive packaging in basic food, household, drug and personal care items.

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**Assessment:** Drug stores are readily expandable geographically because their success depends on the development of store talent with little need for expensive warehousing and other backup facilities.

A specific program has been developed and is already being implemented to increase the number of Osco drug stores by 130 or 58% in the four years through 1980. Many of these stores will be opened in conjunction with Jewel, Eisner, Star or Buttrey food stores. On the other hand, many will be opened independent of any other Jewel company. We expect these stores to become increasingly important contributors to Jewel sales and earnings in the years ahead.

**Assessment:** Most consumers have varying needs in the course of different grocery shopping trips.

The large, full-line, high quality supermarket will almost certainly continue to serve the bulk of food shoppers' needs. This does not however diminish the growth opportunities for convenience stores such as those operated by our growing White Hen Pantry division. In fact, trends toward larger and fewer supermarkets seem to create market voids for "fill in" shopping which can be well served through small, franchised, neighborhood stores like White Hen Pantry. Nor does the attractiveness of the large store contradict the wisdom of Jewel's experiments with limited line, limited service, discount food stores. Two such experiments are now underway. First, we have six pilot warehouse-type discount stores operating in four of our markets, offering all of the food categories, but much less of the variety and services, common to most conventional supermarkets. Second, a "Jewel T Discount Grocery" opened in New Port Richey, Florida, on February 23, 1977. Offering an even more limited line of private and controlled label, non-perishable food items and the absolute minimum of customer services in low rent second use locations, the Jewel T's suggest an unusual opportunity to lower prices by reducing product, distribution, and operating costs.


**Assessment:** A growing consumer concern for the influence on prices of costs other than ingredients will impact retail buying and selling practices in the years ahead.

Three developments particularly illustrate Jewel's efforts to provide greater value through its product offering. The product line in the "Jewel T Discount Grocery" has been selected for its value without regard to brand reputation. Most of the 400 items offered in this limited line store are private or unadvertised brands presented in simple packaging. Similarly, a line of generic label (no brand name) products has been developed by Jewel Food Stores and offered experimentally in our Grand Bazaars and in a few other large stores. As another example, a new line of 480 private label items was introduced in 1976 in Star Markets with considerable success. Experiences such as these throughout Jewel are encouraging buyers to increase efforts to add to the value offered through private label and inexpensive packaging in selling basic food, household, drug and personal care items. Hopefully, our efforts will help to give our customers more price choice than is normally afforded by the traditional selling of national and private brands.

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**Assessment:** Although the specifics of satisfying consumer needs make self-service retailing a regional business, many of the lessons learned in one region or one country are applicable in other places.

Jewel's successful experience investing in and helping in the development of modern, self-service retailing in Belgium and Mexico, going back to our original investment in Belgium in 1959, has suggested numerous areas of Jewel expertise which are exportable. Thus, we announced the creation of Jewel Associates in early 1977. An international consulting organization designed to sell knowledge and practical retailing experience, Jewel Associates is led by Harry G. Beckner, for the last 12 years President and now Chairman of Jewel Food Stores. We hope that Jewel Associates will be not only a profitable venture, offering clients the valuable and unique experiences of both retired and current Jewel executives, but an opportunity for the Company to keep abreast of retail developments and opportunities in foreign countries.

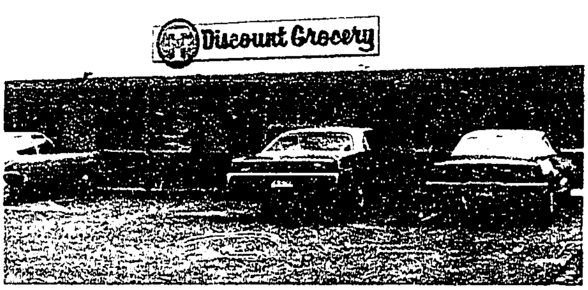
Retailing is constantly changing and alert retailing should always be an evolution in search of better, more attractive, more efficient ways to distribute merchandise. We believe that Jewel has attracted and developed a quality of people who will avoid a rigidity that suggests that there is only one way to serve consumers. This will be most important as they plan for the changes Jewel will be making to continue to be a leader and innovator in the 1980s and beyond.

## 1977 in Particular

Our recent domestic operating trend has been encouraging. Domestic operating earnings increased 9% in the first half of 1976 over 1975 and 17% in the last half of 1976. Countering what we expect to be a continuation of this positive domestic trend during the first half of 1977, however, will be the influence of the peso devaluation on Jewel's translation of earnings from our Mexican investment in Aurrera. Although earnings in pesos in 1977 are likely to be up importantly for Aurrera, it seems unlikely that they can increase sufficiently to compensate for devaluation. Any effect of translating the influence of devaluation on the balance sheet of Aurrera is unpredictable at this time.

We are optimistic about those areas in which Jewel and Aurrera people and their efforts directly determine results. As for such outside influences as peso valuation fluctuations, we observe only that short-run influences on Jewel's reporting do not change the basic fact that Aurrera is one of the most successful retailing businesses in the world, whether measured in terms of growth in sales, earnings or the ability and creativity of its Mexican management.

We plan to invest about $60 million to equip new or enlarged domestic facilities in 1977, compared to an average of $46 million in each of the three previous years.




**The first "Jewel T Discount Grocery" opened in February, 1977 in New Port Richey, Florida. These stores offer significant savings in a limited line of private and controlled label, non-perishable food items. They have the absolute minimum in customer services and are situated in low rent, second use locations.**

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The 1977 plans call for net increase in square footage as follows:

| | |
|---|---|
| Supermarkets | 449,000 |
| General Merchandise Stores | 492,000 |
| Brigham's | (9,000) |
| Convenience Food Stores | 18,000 |
| Total space to be added | 950,000 |

Arrangements have been made to sell $50 million of 20-year notes to insurance companies at an interest cost of 8¼%. Proceeds will be used to reduce short-term debt and to increase working capital. The $60 million bank credit agreement entered into in 1975 has been eliminated.

## Management Changes

In January 1976, Harry G. Beckner, who has provided strong leadership as President of Jewel Food Stores for over 12 years, became Chairman of Jewel Food Stores and has undertaken the formation of Jewel Associates. The new President of Jewel Food Stores, Walter Y. Elisha, brings to the job an unusual variety of Jewel experiences, including being president of two other Jewel companies, Brigham's and Direct Marketing Division. Following Mr. Elisha as President of the Direct Marketing Division in March 1976 was Betty M. McFadden, the first female President of a Jewel company. Richard P. Johnson, previously a Star Market Vice President, was named President of Brigham's. He succeeded Joseph F. Grimes who moved to the Jewel Food Stores as an Executive Vice President.

At year-end we announced the retirement as of April 1, 1977, of Weir C. Swanson, Vice President, Personnel, who has served Jewel people for 32 years. His successor is Robert P. Dorsher, formerly Group Vice President, Industrial Relations, Jewel Food Stores.

## Some Reflections

Following a difficult 1975, the first year in 12 in which we reported an earnings decline, we are pleased to be reporting an increase to a record earnings level in 1976. Weathering and recovering from the difficulties of 1975 is testimony to the Company's true strength . . . Jewel people.

Many organization leaders feel good about their associates but in Jewel this is particularly true. The attributes of Jewel people illustrate the reasons for our pride and in turn our optimism for the future.

- Jewel people are proud of their Company, its reputation and philosophies, and of their associates and the way they work together to serve others.

- Jewel people are pleased with the way that their profit-sharing program, started in 1938 and totaling $268 million at December 31, 1976, is preparing for their retirement needs. Jewel Companies has no unfunded retirement commitments under this program.

- Jewel people feel good about the development of minorities and women throughout the Company including in our management structure. While the challenge is a continuing one, our results thus far in terms of both women and minority management and officers provide a solid base on which to progress.

- Jewel people generously contribute their effort and their money for civic and charitable benefit to the communities which provide their livelihood.

- Jewel people are pleased when they can provide a service and a level of quality of which they can be proud. They believe that to give of one's self in a world that is too often self-centered is an important contribution they can make to others.

- And Jewel people are proud of their heritage and anxious in the years ahead to add to it for the benefit of shareholders and customers as well as for themselves.

Our thanks go to Jewel people for 1976 and our expectations are that 1977 will be another good year that matches Jewel progress to their considerable energy and talents.

D. S. Perkins
Chairman

W. R. Christopherson
President

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# Jewel's Food and General Merchandise Partnerships -A Growing Investment in One-Stop Shopping

Going back to the early 1960s our Company has pioneered the concept of combined food and general merchandise one-stop shopping locations. This special report will cover the importance of the partnerships flourishing among Jewel's four supermarket companies and our general merchandise stores—Osco Drug and Turn*Style.

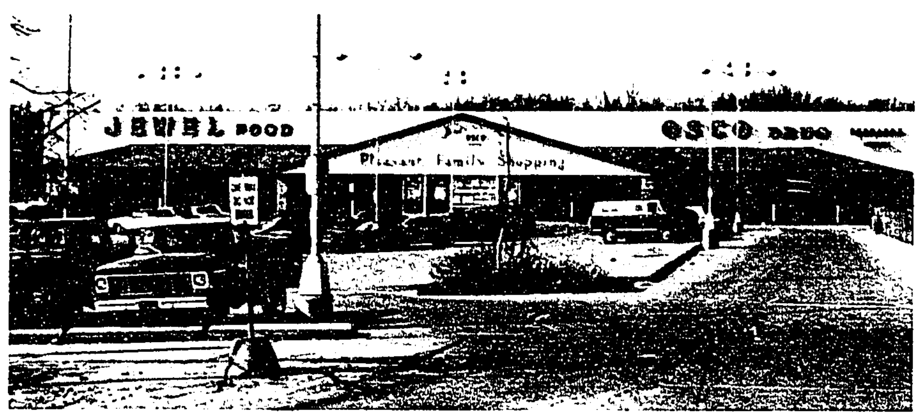
We operate a Jewel, Eisner, Buttrey or Star food store with either an Osco Drug store or a Turn*Style discount store in a total of 154 locations in 13 states. Forty-seven percent of Jewel's total 1976 sales were in locations combining food with a major general merchandise offering. We currently have $148 million of equipment and improvements invested in such facilities, equal to 33% of Jewel's total such investment.

Until 1961, Jewel's retail store business was supermarkets, all in and near Chicago and central Illinois. Osco Drug, Inc., a 31-store midwestern chain of promotional drug stores, joined Jewel in 1961, followed by four Boston area Turn*Style discount department stores. Further acquisitions in the early 1960s—Star Markets and Buttrey Food Stores—provided geographic bases in New England and in the West for the development of combination food and general merchandise locations. The flexibility to develop combination stores has been enhanced by the consolidation of Turn*Style and Osco Drug stores into one operating company, Osco Drug, Inc., establishing a large and flexible general merchandise capability on a national basis.

## A Variety of Stores

One of the distinct advantages which Jewel's food and general merchandise businesses have is their ability to combine in a variety of store sizes and product assortments.

To illustrate, 47 food stores in combination with drug stores offer a broad assortment of merchan-




**The food/drug combination store concept has been evolving in Jewel Companies since this first 30,000 sq. ft. single check-out store opened in Highland Park, Illinois in 1962.**


**One of the 14 food/general merchandise stores operated by Star Markets and Osco Drug, Inc. in metropolitan Boston and in New Hampshire.**

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dise behind one set of checkstands, with no walls separating food from drug. In developing these stores, however, care is taken to preserve the strong and distinct identities of both food and drug. Together, they offer appealing and convenient one-stop shopping.

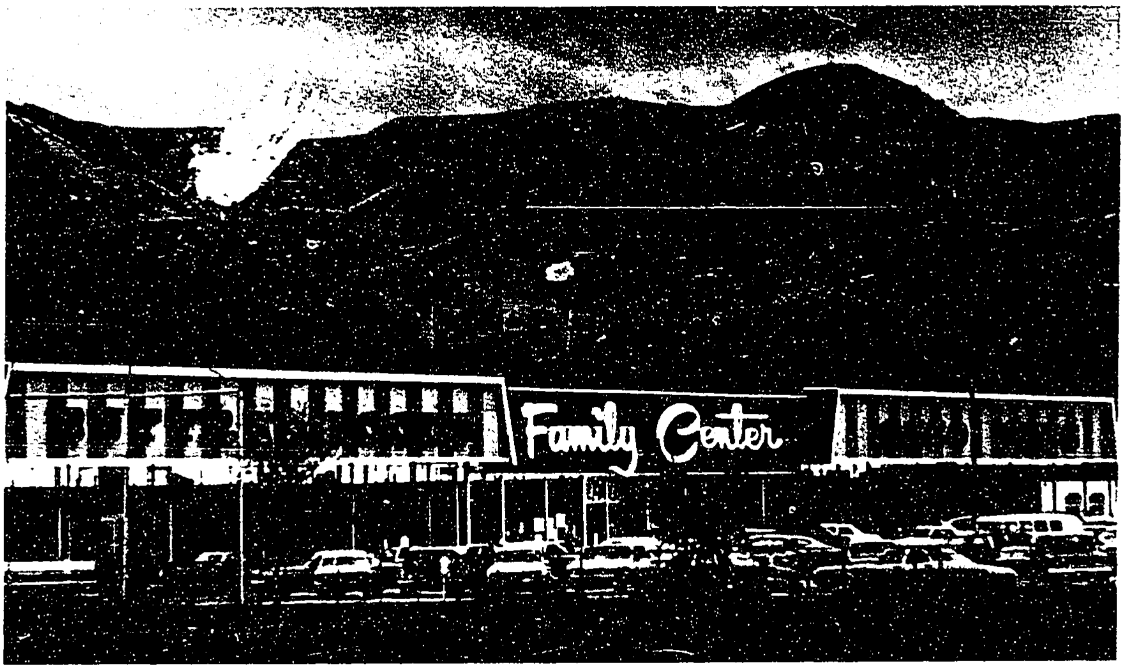
The single check-out combination store is not always possible or desirable—for reasons of zoning, local pharmacy laws or marketing factors. Thus, when circumstances make it appropriate to do so, we operate food stores alongside drug stores, providing as easy an access between the stores as possible. Throughout our companies there are 91 such units. Similarly, we have a total of 16 food stores which are side-by-side with Turn*Style discount department stores.

Whatever the precise store type, the food and general merchandise single location offers distinct advantages. For customers, it provides convenient one-stop shopping for a broad array of goods. For Jewel, the one location brings higher sales through more frequent customer visits and more purchases per visit because its wider assortment answers more customer needs. Overall, margins are generally more satisfactory because of the sales mix. Shared store development and operating services offer potential for lower expenses. The elimination or reduction of duplicated inventory, space and equipment provides the opportunity for lower investment per sales dollar.

Our basic strategy over the years has been to avoid the constraints of rigid store and site location requirements and to select good locations that fit within broad marketing plans. We then adapt our food/general merchandise strengths to community, trading area and competitive situations; to land availability; to local zoning and planning requirements; and to state regulatory restrictions.

Believing that no single store type or size fits all situations or endures over time, we focus on

(continued on page 12)




**Buttrey food stores, like this one in Pocatello, Idaho, are located with Osco Drug stores in 22 locations in Idaho, Minnesota, Montana, North Dakota, Oregon, Washington and Wyoming.**

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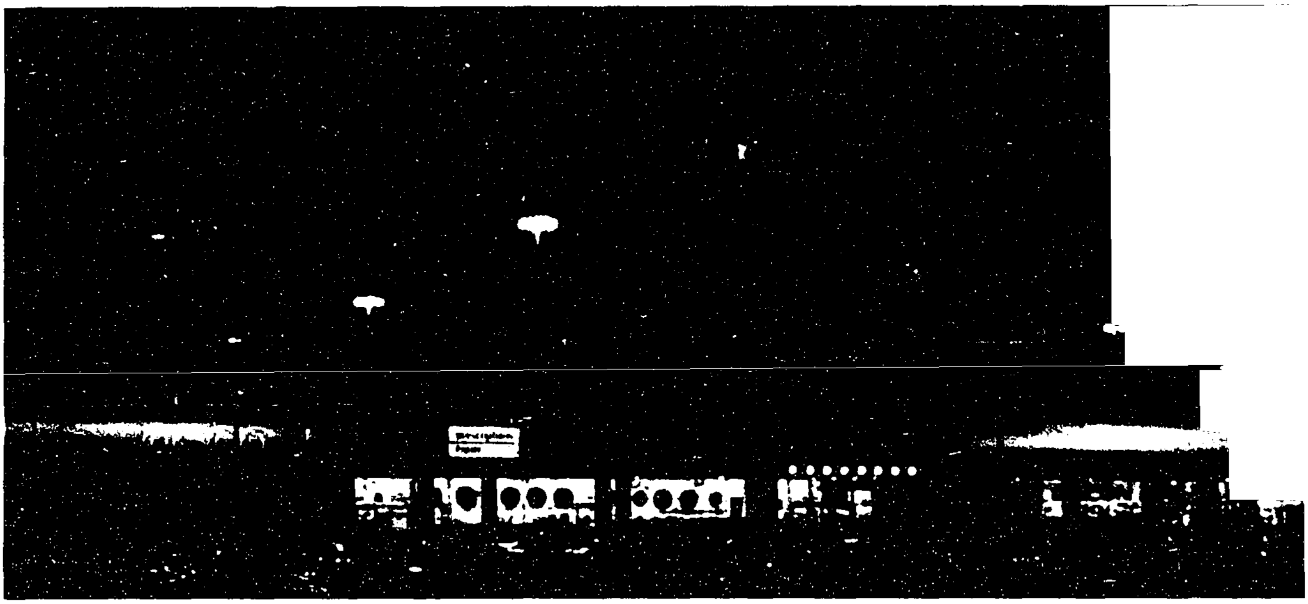
# Welcome to the brickyard Jewel Osco





Totaling 90,400 sq. ft. in size, the Jewel/Osco Grand Bazaar at the Brickyard Shopping Center opened on Chicago's Northwest side early in 1977.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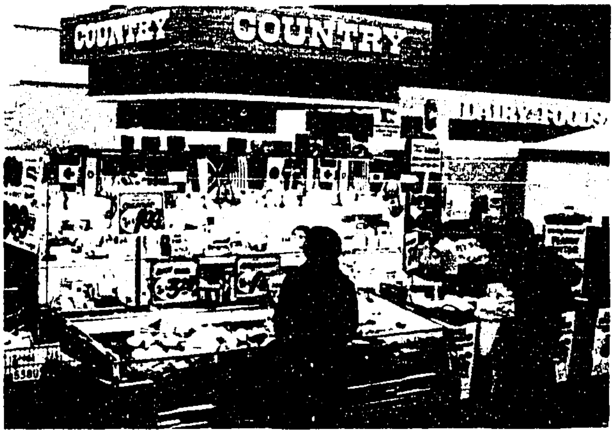
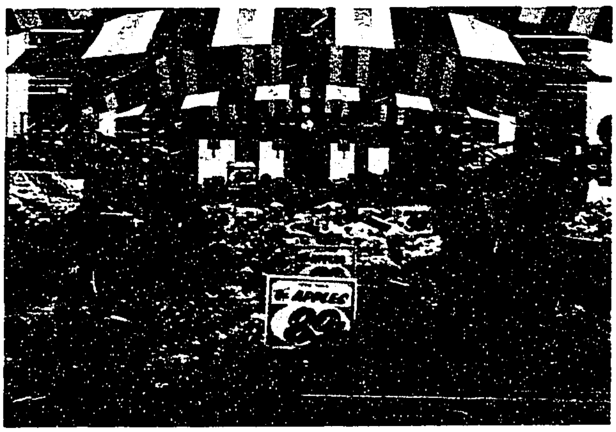
# Grand Bazaar





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developing both our resource capabilities and our retail locations to provide a flexibility that responds to changing times.

Our philosophy is well illustrated by Jewel's adaptation of the European Hypermarche concept to food retailing in this country (the Jewel Grand Bazaar), enabling us to build very large stores. By the end of 1977, we expect to have seven Grand Bazaar food units accompanied by either a Turn*Style or an Osco super drug store. Our largest retailing location is a common checkout Jewel/Osco Grand Bazaar with a Turn*Style alongside, a total of 208,000 sq. ft. of merchandise.

In the west, Buttrey and Osco are growing in partnership with large food/drug common-checkout combination stores to serve fast growing, smaller communities in wide open and more sparsely populated northwest cities like Richland, Washington and Casper, Wyoming. With 22 now in operation, we expect this partnership to grow steadily in the years ahead throughout the northwestern region of the country. Since both Buttrey and Osco are strong adherents of local store management autonomy, their capability is *highly mobile.*

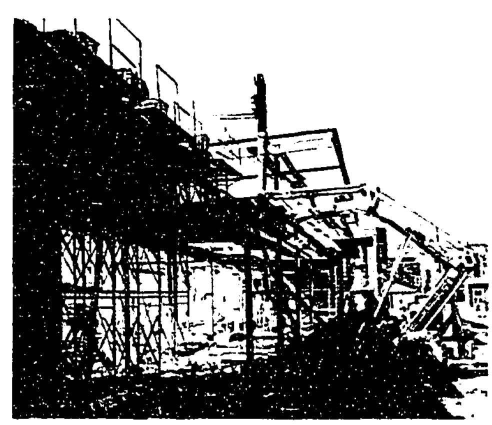
In 1977, we expect to add approximately 675,000 sq. ft. of new space in 18 locations (including both new stores and major expansions) where our food and general merchandise companies will operate in partnership, as this table shows:

**To Open or Enlarge in 1977**

| | |
|---|---|
| Turn*Style—adjacent to a Grand Bazaar opened in 1976 (107,000 sq. ft.) | 1 |
| Jewel/Osco Grand Bazaar (90,000 sq. ft.) | 1 |
| Jewel/Osco Drug* | 8 |
| Star Market/Osco Drug* | 2 |
| Buttrey Food/Osco Drug* | 4 |
| Eisner Food/Osco Drug* | 2 |

*Average 50,000 sq. ft. including enlargements


**Twelve Osco Drug stores and four Turn*Style stores operate in partnership with Eisner Food Stores in central Illinois and Indiana.**



**Currently under construction on Chicago's Southeast side, one of nine Jewel Food Stores to be built in 1977.**

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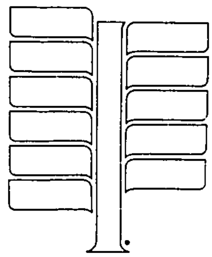
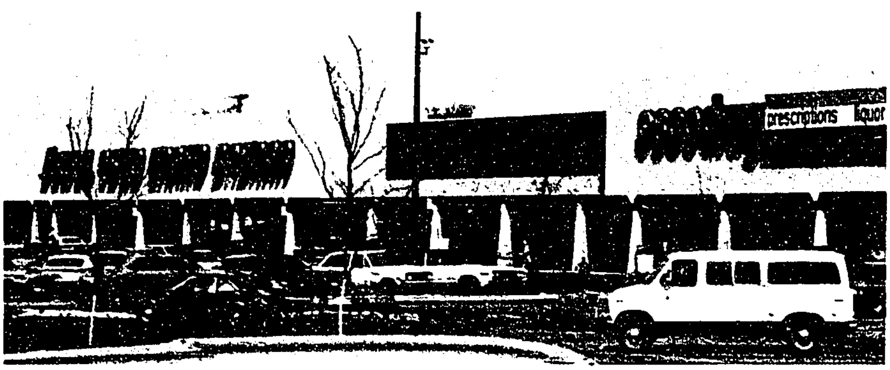
## Maintaining Strong Partnerships

With 15 years of profitable experience in developing and managing various combinations of drug, discount and food stores, Jewel people understand what to do as well as what to avoid. We think our approach to combination store development is unique, not only in its flexibility and scope but in its structure. The capabilities of our food and general merchandise companies, as of our other companies, are best used in synergy with each other while maintaining a form of organization that reinforces the character and personality of each business within Jewel. Maintaining and enhancing autonomous capability provides strong resource bases which, in turn, contribute to strong partnerships. The independent capabilities of our companies are matched with a spirit of partnership, adding up to enlarged prospects for success for all our people. ■







The Company's greatest concentration of stores which combine food with major general merchandise offerings is in the Midwest. Here is the Jewel/Osco Grand Bazaar at Franklin Park, Illinois and the Jewel/Turn*Style combination at Westmont, Illinois. Osco/Turn*Style operate 103 stores in conjunction with Jewel Food Stores in the Midwest.

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# Aurrera, S.A.



In its fiscal year ended *July 31, 1976,* sales and net earnings of Aurrera, S.A., were at record highs and substantially exceeded year earlier results. Sales improved 26% and net earnings improved 76%. Net earnings represented 5.6% of sales, 33% of shareholders' equity, and 28% of total capitalization, including short-term debt incurred to finance credit sales in Aurrera's apparel store business.

In the first six months of Aurrera's current fiscal year, which includes five months of peso devaluation, earnings in Mexican pesos exceeded the prior year by 32% on a 27% gain in sales.

The continuing growth of Aurrera is outstanding. The company which opened its first retail facility in 1958 is now Mexico's largest retailer and the second largest non-government owned company in Mexico. Aurrera currently operates 24 free standing supermarkets, 12 self-service department stores each complete with a supermarket, 9 discount-warehouse stores, 27 restaurants, and 5 high-fashion apparel stores. All but a few of Aurrera's stores are located in Mexico City and adjacent communities.

Aurrera and each of its operating businesses has a record of continuous growth.

| Compound Growth Rate Fiscal Years Ended July 31, 1976 | Sales | | Net Earnings | |
|---|---|---|---|---|
| | Latest Year | Last Four Years | Latest Year | Last Four Years |
| Self-service Dept. Stores | 19.2% | 18.2% | 46.9% | 25.7% |
| Supermarkets | 16.4 | 23.2 | 103.5 | 22.2 |
| Restaurants | 27.6 | 45.2 | 93.6 | 62.0 |
| Warehouse Stores | 41.9 | 71.9 | 114.7 | 87.6 |
| Fashion Apparel Stores | 53.1 | 75.9 | 117.3 | 171.4 |
| Aurrera, Consolidated | 25.6% | 30.1% | 75.7% | 35.6% |



Suburbia high fashion apparel stores contain a cluster of fashionable boutiques featuring top quality clothing for the entire family.

Nine Bodega warehouse stores offer high turnover, basic food and general merchandise at discount prices.

Aurrera's 27 VIPS restaurants are comparable to the finest family restaurant chains in America. Located in a majority of Aurrera's shopping centers, most are open 24 hours, seven days a week.

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The self-service department stores, with sales area averaging 62,000 sq. ft. including a complete supermarket, serve as anchor stores for 12 shopping centers owned and operated by Aurrera.

Superama supermarkets attractively display a wide variety of groceries, produce, meats, fish and delicatessen items in a clean, colorful environment and in the self-service style of modern supermarketing. These stores average 13,200 sq. ft. of selling area.

VIPS restaurants, ranging in size from 155 to 249 seats, are comparable to the finest family restaurant chains in America, with food service of uniform high quality. Each unit has an individual architectural style and interior design layout appropriate to its community and most are open around-the-clock, seven days a week. There is a VIPS in a majority of Aurrera's shopping centers.

Bodega warehouse stores typically average 50,000 sq. ft. of selling space and offer high turnover, basic food and general merchandise in low cost facilities at discount prices.

Suburbia apparel stores, which average 67,000 sq. ft. of selling space, contain a cluster of fashionable boutiques featuring top quality clothing for the entire family. All but one of these stores are located in Aurrera shopping centers.

An important objective of Aurrera was achieved when the company recently listed its shares on the Mexican stock exchange and became a public company. There are now over 3,000 Aurrera shareholders.

Shares of Aurrera, owned by its major shareholders including Jewel, were sold to Aurrera operating subsidiaries in the Fall of 1976 for use as stock options to management personnel. Additional shares were offered for sale to employees and suppliers late in 1976. In February 1977, shares were offered to the general public. All shares sold thus far may be owned only by Mexican citizens or companies. Shares offered in December were sold at an average price of 60 pesos (approximately 10 times earnings). Shares offered in February 1977 were sold at a price of 66 pesos. Total sales including those shares to be used for stock option purposes represent 7.6% of Aurrera's currently outstanding shares.

Capital gains from Aurrera share sales by Jewel in the fourth quarter, 1976, amounted to $449,000 after tax. Gains from sales in February 1977 will be reported in the first quarter, 1977. Jewel's equity in Aurrera at January 29, 1977 was 46.5% compared to 48.9% a year ago and in February 1977 was 45.5%. ■

**In December 1976 Aurrera opened its first Gran Bazar, offering a wide variety of general merchandise and food in 188,000 sq. ft. of selling space.**

**Superama supermarkets display items in modern supermarketing style in 24 stores averaging 13,200 sq. ft.**

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# Management's Analysis of Earnings
## Jewel Companies, Inc.

### 1976 Compared to 1975

Sales increased 5.8% from 1975, with most of the increase coming from existing units. Net new area added was the lowest in over a decade. As price inflation abated, especially for meat products, more of the sales increases resulted from increased physical volume. Cost of goods sold increased 4.6% as gross margins improved from 1975's depressed levels, especially in Jewel Food Stores. Chicago area supermarkets reverted to more customary forms of promotional competition during 1976.

Selling, general and administrative expenses increased 10%. Payroll and benefit costs related principally to union wage agreements continued to increase at a faster rate than sales. Utility cost increases moderated compared to the two prior years as continued conservation efforts mitigated continuing rate increases.

Interest expense for Jewel Companies, Inc. decreased 15% after a 19% decrease in 1975 largely because of lower short-term interest rates. Interest expense incurred by the Company's affiliated real estate corporations increased 6%. Repayments on existing real estate affiliate debt nearly matched new debt takedowns, but the average rate on these long-term obligations continued to move upward as the older, lower-cost loans mature.

Compared to an increase in pre-tax U.S. earnings of 24%, the provision for income taxes increased 42% from 1975 when unusual factors cut the effective U.S. tax rate substantially in 1975. The investment tax credit was lower, both in dollars and as a percentage to pre-tax accounting earnings, and 1976 also did not benefit from the utilization of excess foreign tax credits. A comparative reconciliation of the effective tax rate is included in the Notes to the financial statements.

The Company's equity in earnings of Aurrera, S.A. increased 16% over 1975. As discussed on page 3, continued increases in peso earnings of this Mexican retailer did not entirely compensate for lower rates for foreign exchange conversion after September 1, and earnings recorded in the last half of the year were lower than 1975. Aurrera has consistently and intentionally operated with more current and long-term liabilities than current assets; the equity in unrealized translation gains/losses resulting from this net liability position is reflected in Jewel's earnings. Jewel's equity in these unrealized translation gains contributed 29¢ per share to net earnings in 1976; this item was not present in 1975.

Net earnings increased 26% from 1975. In summary, partial recovery of Jewel Food Stores' earnings from the depressed levels of 1975 and continued improvement in the earnings of Osco Drug, Turn*Style, Direct Marketing, Mass Feeding and White Hen Pantry added to U.S. earnings growth with Eisner, Star Markets and Brigham's contributing less than in the prior year. The contribution to earnings from Aurrera was $1.05 per share compared to $.66 in 1975.

### 1975 Compared to 1974

Sales increased 8.4% over 1974 reflecting continued inflation, though at a lesser rate than experienced in 1974. Approximately one-half of the gain related to increased sales in existing stores with the balance of the sales increase relating to new facilities. Cost of goods sold, which consists principally of product costs, increased 9.5% which is attributable to higher product costs. The decline in gross margins is a result of the intense competitive food price activity in Chicago.

Selling, general and administrative expenses increased 7.1%, reflecting increased employment costs and higher store occupancy costs, particularly utility expenses.

Jewel's equity in the net earnings of Aurrera, S.A., a 48.9% owned diversified Mexican retailer, increased almost 40% over 1974.

Interest expense of Jewel Companies, Inc. decreased 19% which is the result of lower interest rates during 1975. Interest expense incurred by the Company's affiliated real estate corporations increased 10% because of additional financing for new stores opened during the year.

Provision for income taxes decreased 35%. The principal reason for this decline was lower domestic earnings. Tax benefits of investment tax credits were comparable dollarwise between the two years, but had a greater impact on the 1975 effective tax rate. Utilization of foreign tax credits reduced income taxes for the current year by approximately 10%.

Net earnings for the year declined 5%. This was primarily due to a serious decline in earnings contributed by the Jewel Food Stores division. If the 1975 earnings of Jewel Food Stores had equaled 1974, net earnings of the Company would have been $.86 per share higher for 1975.

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# Summary of Significant Accounting Policies



## Principles Applied in Consolidation

The consolidated financial statements include the accounts of Jewel Companies, Inc., its wholly-owned subsidiaries and its affiliated real estate corporations.

All significant intercompany transactions are eliminated.

## Inventories

Inventories are valued at the lower of cost or market, with cost being determined on a first-in, first-out or weighted average basis.

## Investment in Aurrera, S.A.

The Company's investment in Aurrera, S.A. (Mexico), 46.5% owned as of January 29, 1977 and 48.9% owned as of January 31, 1976, is carried at cost plus equity in undistributed earnings since acquisition.

The excess of cost over acquired net assets ($14,013,000) is not being amortized because in the opinion of management there has been no diminution in value.

## Translation of Foreign Currencies

Property, plant and equipment and related depreciation are translated at the exchange rates in effect at the date these assets were acquired. All other assets and liabilities are translated at the rates of exchange in effect at the close of the period. Revenues and expenses are translated at the average monthly exchange rates which were in effect during the year, except for depreciation and amortization which are translated at the rate of exchange which were in effect when the respective assets were acquired. Dividends are translated at the rate of exchange in effect when received. Unrealized gains and losses from foreign currency translation are included in net earnings.

## Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed on the straight-line method for financial statement purposes and on accelerated methods for tax purposes. Leasehold improvements are amortized over the shorter of estimated physical life or the term of the lease. Useful lives approximate 37 years for buildings, 17 years for leasehold improvements, 10 years for equipment, 6 years for trucks and trailers and 3 years for passenger cars.

The Company maintains its properties in good and serviceable condition. The cost of maintenance and repairs which does not extend the life of the assets is charged against earnings while major enlargements, remodelings or improvements are capitalized.

The cost of property, plant and equipment is eliminated from the accounts at the time assets are sold or retired. Gains and losses on normal equipment dispositions are recorded in the accumulated depreciation account for the respective asset group. The cost of replacements is capitalized and depreciated over estimated useful lives.

## Income Taxes

The Company recognizes investment tax credits as a reduction in federal income tax expense in the year eligible equipment purchases are made.

## Other Deferred Liabilities

Costs associated with the Company's contingent compensation plans and for losses incurred under the Company's self-insurance program are charged against current earnings. The portion of such costs estimated to be payable in the ensuing year is included in Current Liabilities with the balance included in Other Deferred Liabilities.

## Pre-opening Costs

The Company charges all expenses incurred prior to the opening of a new retail unit or other facility against earnings as they are incurred, including interest and carrying costs on construction in progress and land held for future use.

## Profit Sharing and Retirement Costs

A majority of the Company's employees who meet service requirements are covered by profit sharing plans and trusts under which the Company makes annual contributions, determined by a formula related to earnings, to provide retirement benefits. The market value of these funds, which are held in trust apart from Company funds, was $268,000,000 at December 31, 1976 and $227,000,000 at December 31, 1975. Retirement benefits are based on each participant's accumulated account credits representing his or her proportionate share of the trust funds. There are no unfunded retirement liabilities under these plans. Pursuant to collective bargaining agreements, the Company makes payments to industry pension plans for the purpose of providing retirement benefits to other employees.

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# Statement of Earnings
## Jewel Companies, Inc.



| | 52 Weeks Ended | |
|---|---|---|
| | Jan. 29, 1977 | Jan. 31, 1976 |
| | *(In thousands)* | |
| Sales | $2,981,429 | $2,817,754 |
| Cost of Doing Business: | | |
| Cost of goods sold | 2,356,611 | 2,252,222 |
| Selling, general and administrative expense | 567,020 | 514,753 |
| | 2,923,631 | 2,766,975 |
| Operating Income | 57,798 | 50,779 |
| Interest Income | 836 | 879 |
| Interest Expense: | | |
| Jewel Companies, Inc. | (8,143) | (9,627) |
| Real estate affiliates | (9,725) | (9,159) |
| Earnings of U.S. Companies Before Income Taxes | 40,766 | 32,872 |
| Income Taxes | 16,657 | 11,725 |
| Earnings of U.S. Companies | 24,109 | 21,147 |
| Equity in Aurrera, S.A.: | | |
| Earnings | 8,747 | 7,545 |
| Unrealized gain on foreign currency translation | 3,309 | |
| Net Earnings | $ 36,165 | $ 28,692 |
| Earnings per Average Common Share Outstanding | $ 3.14 | $ 2.50 |

# Statement of Retained Earnings

| | | |
|---|---|---|
| Balance, Beginning of Year | $ 216,370 | $ 201,483 |
| Net Earnings | 36,165 | 28,692 |
| Cash Dividends Declared: | | |
| Preferred stock—$3.75 per share | (52) | (53) |
| Common stock—$1.275 per share in 1976; $1.20 in 1975 | (14,681) | (13,752) |
| Balance, End of Year | $ 237,802 | $ 216,370 |

The accompanying notes and summary of significant accounting policies are an integral part of the financial statements.

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# Statement of Financial Position
## Jewel Companies, Inc.

| | Jan. 29, 1977 | Jan. 31, 1976 |
|---|---|---|
| | *(In thousands)* | |
| **Assets** | | |
| Current Assets: | | |
| Cash | $ 24,092 | $ 29,064 |
| Short-term investments | 8,582 | 8,305 |
| Accounts receivable, less allowances ($1,959,000 and $2,432,000, respectively) | 34,350 | 29,143 |
| Inventories | 239,806 | 216,067 |
| Prepaid expenses and supplies | 11,166 | 8,983 |
| Total current assets | 317,996 | 291,562 |
| Investment in Aurrera, S.A. | 46,210 | 39,194 |
| Other Assets | 3,526 | 3,722 |
| Property, Plant and Equipment, at cost, less accumulated depreciation: | | |
| Jewel Companies, Inc. | 278,808 | 278,342 |
| Real estate affiliates | 165,128 | 157,031 |
| | 443,936 | 435,373 |
| | $811,668 | $769,851 |
| **Liabilities and Shareholders' Equity** | | |
| Current Liabilities: | | |
| Accounts payable | $100,547 | $ 94,964 |
| Payrolls and other accrued expenses | 95,841 | 90,294 |
| Income taxes payable | 11,135 | 1,379 |
| Current maturities of long-term debt: | | |
| Jewel Companies, Inc. | 5,144 | 5,131 |
| Real estate affiliates | 6,738 | 6,251 |
| Total current liabilities | 219,405 | 198,019 |
| Long-Term Debt, less current maturities: | | |
| Jewel Companies, Inc. | 93,874 | 98,008 |
| Real estate affiliates | 118,922 | 118,341 |
| Deferred Income Taxes | 43,182 | 44,163 |
| Other Deferred Liabilities | 13,099 | 10,515 |
| Shareholders' Equity: | | |
| Preferred stock—3-3/4% cumulative $100 par value—authorized and issued 16,500 shares at Jan. 29, 1977 | 1,650 | 1,650 |
| Common stock—$1 par value—authorized 25,000,000 shares, issued 11,537,050 shares at Jan. 29, 1977 | 83,892 | 82,939 |
| Retained earnings | 237,802 | 216,370 |
| Treasury stock, at cost | (158) | (154) |
| Total shareholders' equity | 323,186 | 300,805 |
| | $811,668 | $769,851 |

**The accompanying notes and summary of significant accounting policies are an integral part of the financial statements.**

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# Statement of Changes in Financial Position
## Jewel Companies, Inc.



| | 52 Weeks Ended | |
|---|---|---|
| | Jan. 29, 1977 | Jan. 31, 1976 |
| | *(In thousands)* | |
| **Source of Funds–** | | |
| From operations: | | |
| Net earnings | $ 36,165 | $ 28,692 |
| Charges and (credits) not affecting funds: | | |
| Depreciation and amortization | 43,359 | 42,444 |
| Deferred taxes and other deferred liabilities | 1,603 | 10,159 |
| Equity in earnings of Aurrera, S.A. in excess of dividends received | (5,889) | (573) |
| Equity in unrealized translation gain | (3,309) | – |
| | 71,929 | 80,722 |
| From financing: | | |
| Issuance of common stock | 949 | 1,238 |
| Long-term debt: | | |
| Jewel Companies, Inc. | – | – |
| Real estate affiliates | 7,513 | 11,040 |
| | $ 80,391 | $ 93,000 |
| **Use of Funds–** | | |
| Dividends to shareholders | $ 14,733 | $ 13,805 |
| New property, plant and equipment (net): | | |
| Jewel Companies, Inc. | 39,332 | 43,629 |
| Real estate affiliates | 12,590 | 9,927 |
| Repayment of long-term debt: | | |
| Jewel Companies, Inc. | 4,134 | 17,485 |
| Real estate affiliates | 6,932 | 6,651 |
| Increase (decrease) in investment and other assets | (2,378) | 363 |
| Increase in working capital | 5,048 | 1,140 |
| | $ 80,391 | $ 93,000 |
| **Change in Working Capital–** | | |
| Increase (decrease) in current assets: | | |
| Cash | $ (4,972) | $ 2,184 |
| Short-term investments | 277 | 1,498 |
| Accounts receivable | 5,207 | (2,609) |
| Inventories | 23,739 | 8,025 |
| Prepaid expenses and supplies | 2,183 | (478) |
| | 26,434 | 8,620 |
| Increase (decrease) in current liabilities: | | |
| Notes payable | – | (12,459) |
| Accounts payable | 5,583 | 3,247 |
| Payrolls and other accrued expenses | 5,547 | 19,787 |
| Income taxes payable | 9,756 | (3,679) |
| Current maturities of long-term debt | 500 | 584 |
| | 21,386 | 7,480 |
| Increase in working capital | $ 5,048 | $ 1,140 |

**The accompanying notes and summary of significant accounting policies are an integral part of the financial statements.**

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# Report of Independent Certified Public Accountants

To the Shareholders and Board of Directors,
Jewel Companies, Inc.

We have examined the consolidated statement of financial position of Jewel Companies, Inc. as of January 29, 1977 and January 31, 1976 and the related statements of earnings, retained earnings and changes in financial position for the fifty-two week periods then ended appearing on pages 17 through 26, herein. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have not examined the financial statements of Aurrera, S.A., a Mexican company in which Jewel has a 46.5% interest at January 29, 1977 (see Notes to financial statements). The consolidated financial statements of Aurrera, S.A. for its fiscal years ended July 31, 1976 and 1975 were examined by other independent auditors whose unqualified report thereon has been furnished to us.

In our opinion, which as to amounts with respect to Aurrera, S.A. for its fiscal years ended July 31, 1976 and 1975 is based on the report of other independent auditors described above, the aforementioned financial statements present fairly the consolidated financial position of Jewel Companies, Inc. at January 29, 1977 and January 31, 1976, the results of its operations and the changes in its financial position for the fifty-two week periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

TOUCHE ROSS & CO.

Chicago, Illinois
March 16, 1977

# Notes to Financial Statements
## Jewel Companies, Inc.

### PROPERTY, PLANT AND EQUIPMENT

The Company's investment in property, plant and equipment consists of the following:

| | January 29, 1977 | | January 31, 1976 | |
|---|---|---|---|---|
| | Jewel Cos., Inc. | Real Estate Affiliates | Jewel Cos., Inc. | Real Estate Affiliates |
| | (In thousands) | | | |
| Buildings | $ 49,159 | $143,102 | $ 48,813 | $134,416 |
| Less allowance for depreciation | 23,759 | 29,407 | 17,362 | 25,203 |
| | 25,400 | 113,695 | 31,451 | 109,213 |
| Equipment and leasehold improvements | 440,749 | | 410,364 | |
| Less allowance for depreciation and amortization | 209,963 | | 187,639 | |
| | 230,786 | | 222,725 | |
| Land | 22,622 | 51,433 | 24,166 | 47,818 |
| | $278,808 | $165,128 | $278,342 | $157,031 |

### SHORT-TERM AND LONG-TERM DEBT

Debt shown in the statement of financial position consists of the following:

| | Jan. 29, 1977 | Jan. 31, 1976 |
|---|---|---|
| | (In thousands) | |
| Jewel Companies, Inc. | | |
| Short-Term Notes, 4.84% and 5.15% average rate | $ 28,663 | $ 27,649 |
| Commercial Banks: | | |
| $60,000 Credit Agreement | – | – |
| 4.50%, due in annual installments of $1,250 through 1987 | 13,750 | 15,000 |
| Insurance Companies: | | |
| 6.875%, due in annual installments of $1,500 through 1993 | 25,500 | 27,000 |
| 7.875%, due in annual installments of $1,500 through 1994 | 27,000 | 28,500 |
| All other, 5.43% and 5.34% average rate, due through 1997 | 4,105 | 4,990 |
| Total debt | $ 99,018 | $103,139 |
| Classified as follows: | | |
| Current maturities | $ 5,144 | $ 5,131 |
| Long-term debt | 93,874 | 98,008 |
| Total debt | $ 99,018 | $103,139 |
| Real estate affiliates, mortgages, 8.11% and 7.90% average rate, due through 2004: | | |
| Current maturities | $ 6,738 | $ 6,251 |
| Long-term debt | 118,922 | 118,341 |
| Total debt | $125,660 | $124,592 |

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Long-term debt at Jan. 29, 1977 matures as follows:

| | Jewel Cos., Inc. | Real Estate Affiliates |
|---|---|---|
| | *(In thousands)* | |
| 1978 | $ 5,311 | $ 6,892 |
| 1979 | 4,571 | 6,902 |
| 1980 | 4,589 | 7,089 |
| 1981 | 4,607 | 6,853 |
| 1982 and thereafter | 74,796 | 91,186 |
| | $93,874 | $118,922 |

On September 15, 1975, the Company entered into a $60,000,000 credit agreement with a number of its principal banks. On or before February 10, 1979, the Company could convert all, or any part of, the outstanding credit loans into term loans payable over 3½ years bearing interest at the prime rate plus ½%. On January 29, 1977 and January 31, 1976, $28,663,000 and $27,649,000, respectively, was classified as long-term debt all of which was outstanding short-term notes supported by the above agreement based on the Company's expectation that at least this amount will be continuously outstanding during the ensuing year in the form of either short-term notes or through the credit agreement.

Lines of credit are maintained with commercial banks ($40,000,000 at January 29, 1977) to assure the availability of adequate short-term funds to meet seasonal borrowing requirements. The bank lines are supported by cash balances at the line banks. The arrangements with the banks are informal in nature; the supporting balances are largely generated from the normal time lag in presentation of Company checks for payment and from receipts in process and do not restrict the availability of such supporting funds in meeting the Company's daily requirements.

Additional bank credit was also available through the unused portion of the aforementioned $60,000,000 credit agreement.

At January 29, 1977, the Company had total bank credit arrangements amounting to $100,000,000. The maximum amount outstanding on any day during 1976 was $86,000,000 and averaged $57,000,000 on a weekly basis. The average weekly interest rate on these borrowings was 5.27%.

The Company has made arrangements for a 20-year loan of $50,000,000 with two insurance companies at a rate of 8¼% per annum. The terms of the agreement provide for the take-down of the funds during 1977 with semiannual principal payments of $1,500,000 commencing in 1983 and the balance of $6,500,000 payable at maturity. In conjunction with the new financing, the $60,000,000 credit agreement has been canceled.

The Company's loan agreements provide restrictions as to the maintenance of working capital (as defined) and payment of cash dividends on common stock. Under the terms of the existing loan agreements, as of January 29, 1977 net working capital was approximately $57,000,000 in excess of minimum requirements and retained earnings not restricted for cash dividends were $101,000,000. Under the new loan agreement, net working capital was approximately $22,000,000 in excess of minimum requirements and unrestricted retained earnings were $35,000,000 at January 29, 1977.

The long-term debt of the real estate affiliates is not a direct obligation of Jewel Companies, Inc. but is secured by the assignment of lease agreements between Jewel and the affiliates and first liens against real properties having a book value of approximately $165,000,000 at January 29, 1977, as compared to $157,000,000 at January 31, 1976. The debt will be fully paid during the fixed term of each lease, generally 20 years.

## INCOME TAXES

The provision for income taxes consists of the following:

| | 52 Weeks Ended | |
|---|---|---|
| | Jan. 29, 1977 | Jan. 31, 1976 |
| | *(In thousands)* | |
| Federal | | |
| Currently payable | $15,488 | $ 6,068 |
| Deferred | 2,551 | 7,546 |
| Investment tax credit | (3,192) | (3,390) |
| | 14,847 | 10,224 |
| State and Local | | |
| Currently payable | 1,506 | 837 |
| Deferred | 304 | 664 |
| | 1,810 | 1,501 |
| | $16,657 | $11,725 |

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Deferred income taxes result from timing differences in the recognition of certain income and expense items for tax and financial statement purposes, as follows:

| | 1976 | 1975 |
|---|---|---|
| | *(In thousands)* | |
| Depreciation | $4,380 | $7,246 |
| Self-insured claims | (1,026) | (364) |
| Other | (803) | 664 |
| | $2,551 | $7,546 |

It is presently anticipated that new deferrals in the succeeding three years will equal, or be greater than, the amount of prior deferrals which will become currently payable.

The Federal effective tax rate was 29.1% in 1976 and 26.3% in 1975. A reconciliation of the statutory corporate tax rate with the effective tax rate follows:

| | 1976 | 1975 |
|---|---|---|
| Statutory tax rate | 48.0% | 48.0% |
| Investment tax credit | (6.3) | (8.7) |
| Utilization of excess foreign tax credits | | (3.1) |
| Other | (.9) | (.6) |
| Effective tax rate on U.S. income | 40.8 | 35.6 |
| Effect of foreign earnings | (11.7) | (9.3) |
| Effective tax rate | 29.1% | 26.3% |

No provision has been made for U.S. income taxes on foreign earnings not expected to be repatriated because any income tax payable, should any distribution be made, would be substantially offset by foreign tax credits.

An examination of the Federal income tax returns of the Company and its subsidiaries for fiscal years 1973 and 1974 is in process. While the outcome of the current examination is not determinable at this time, it is the opinion of management that deficiencies, if any, will not be material.

## CAPITAL STOCK

Common stock transactions were as follows:

| | 1976 | | 1975 | |
|---|---|---|---|---|
| | Shares | Amount | Shares | Amount |
| | *(In thousands)* | | | |
| Balance, beginning of year | 11,490 | $82,939 | 11,428 | $81,258 |
| Issued for stock option and stock purchase plans | 47 | 953 | 62 | 1,274 |
| Other | — | — | — | 407 |
| Balance, end of year | 11,537 | $83,892 | 11,490 | $82,939 |

At January 29, 1977, there were 1,136,016 shares of common stock reserved of which 792,641 were for Stock Options, 248,493 were for the Employee Stock Purchase Plan and 94,882 were for the Automatic Dividend Reinvestment and Stock Purchase Plan.

The following summary shows the changes in stock options:

| | 1976 | 1975 |
|---|---|---|
| Options outstanding, beginning of year | 706,500 | 760,450 |
| Granted | 84,000 | 196,000 |
| Exercised | (4,950) | (100) |
| Expired | (72,700) | (249,850) |
| Options outstanding, end of year | 712,850 | 706,500 |

| | Jan. 29, 1977 | Jan. 31, 1976 |
|---|---|---|
| Options exercisable | 553,325 | 356,850 |
| Shares available for grant | 79,791 | 91,091 |

Outstanding options were granted at prices ranging from $16.88 to $43.00 per share, the fair market value on the date of grant. Qualified Stock Options become exercisable in equal installments over a four-year period and expire five years from the date of grant. Non-qualified Stock Options become exercisable in one year from the date of grant and expire in ten years.

In June, 1976, the Company adopted an Automatic Dividend Reinvestment and Stock Purchase Plan and reserved 100,000 shares of its unissued common stock for purchase by its shareholders enrolled in the Plan. Under the terms of the Plan, shareholders of record can purchase additional shares of common stock by reinvesting dividends and making optional cash investments without payment of any brokerage commission or service charge.

In June, 1975, the Company's Certificate of Incorporation was amended to create a class of junior preferred stock designated as Cumulative Preferred Stock, Issuable in Series, Par Value $1 Per Share, in the amount of 2,000,000 shares. At January 29, 1977, none of the shares had been issued.

Treasury stock consists of 2,629 shares of preferred stock valued at cost. These shares were acquired to meet the sinking fund provisions of the issue, which require full retirement by 1985. Sinking fund requirements are satisfied through 1979.

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## LEASE COMMITMENTS

The Company leases certain of its retail and other locations under firm-term lease arrangements ranging from 5 to 25 years (principally 15 years for retail locations), plus a number of varying renewal options. Rentals for leased real properties (excluding those leased from real estate affiliates) were $28,638,000 in 1976 and $27,025,000 in 1975, after reduction for sublease income of $1,227,000 and $1,070,000, respectively. Included in net rental expense are $3,392,000 in 1976 and $3,229,000 in 1975 of rentals determined by sales volume. As of January 29, 1977, minimum rentals on all non-cancellable leases for leased real properties were as follows:

| Year | Lease Expense | Sublease Income | Total |
|---|---|---|---|
| | | *(In thousands)* | |
| 1977 | $26,854 | $1,245 | $25,609 |
| 1978 | 26,240 | 1,167 | 25,073 |
| 1979 | 24,917 | 1,030 | 23,887 |
| 1980 | 23,977 | 867 | 23,110 |
| 1981 | 22,851 | 656 | 22,195 |
| 1982-1986 (per year) | 18,720 | 420 | 18,300 |
| 1987-1991 (per year) | 11,519 | 158 | 11,361 |
| 1992-1996 (per year) | 2,952 | 14 | 2,938 |
| After 1996 (per year) | 736 | | 736 |

Certain of the above leases (principally those with firm-term lease periods of more than 20 years) could be considered non-capitalized financing leases as defined by the Securities and Exchange Commission. The effect of not capitalizing such leases is considered insignificant (present value is approximately $27,000,000). If these leases had been capitalized, the effect on net earnings would be less than 1%.

The debt content (present value) of both the non-capitalized financing leases and all operating leases for real property lease commitments, net of non-cancellable subleases, amounts to approximately $140,000,000 at January 29, 1977 and $139,000,000 at January 31, 1976. The debt content was determined by separating the aggregate annual rent commitments into debt and interest using the aggregate commitments under net leases and 75% of aggregate commitments under gross leases at interest rates appropriate for their respective starting dates. (Approximately 25% of gross base rentals cover real estate taxes, maintenance and insurance costs borne by landlords; such costs are assumed by Jewel under net leases.) Interest rates ranged from 4.75% to 10.14%; weighted average rate was 7.89%.

## COSTS AND EXPENSES

Set forth below is a comparative summary of significant costs and expenses:

| | 1976 | 1975 |
|---|---|---|
| | *(In thousands)* | |
| Depreciation and amortization | | |
| Jewel Companies, Inc. | | |
| Buildings | $ 1,325 | $ 1,595 |
| Equipment | 37,542 | 36,577 |
| | 38,867 | 38,172 |
| Real estate affiliates | | |
| Buildings | 4,492 | 4,272 |
| | $43,359 | $42,444 |
| Taxes, other than income | | |
| Payroll | $28,750 | $25,121 |
| Property | 13,534 | 12,326 |
| Other | 2,729 | 2,426 |
| | $45,013 | $39,873 |
| Rents | | |
| Real estate | $28,638 | $27,025 |
| Personal property | 4,768 | 4,490 |
| | $33,406 | $31,515 |
| Advertising | $40,692 | $33,728 |
| Retirement benefit plans | | |
| Profit sharing plans | $10,114 | $ 7,404 |
| Contingent compensation | 1,351 | 1,288 |
| Industry pension plans and other | 2,457 | 2,475 |
| | $13,922 | $11,167 |

## CONTINGENT LIABILITIES–LITIGATION

In addition to various claims and law suits arising in the normal course of the Company's business, as of March 16, 1977 there are eight substantially similar actions filed against most major supermarket chains, including the Company, and others by livestock producers and feeders in Federal District Courts in California, Iowa, Nevada and Texas. The plaintiffs charge violations of the anti-trust laws and seek damages in large amounts as well as other relief. Two of these cases purport to be class actions. These cases are now consolidated in the Federal District Court in Dallas, Texas with other similar cases for discovery and pre-trial proceedings. All are in the preliminary stages of discovery and consequently management is unable

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to predict the outcome of any of them. However, in the opinion of management, the Company has good and meritorious defenses to each action.

Although the amount of liability, if any, at January 29, 1977 with respect to the above matters cannot be ascertained, management is of the opinion that any resulting liability will not materially affect the Company's consolidated earnings or financial position.

## QUARTERLY DATA (UNAUDITED)

*(In thousands, except per share data)*

| Quarter | Total Sales | Gross Profit | Net Earnings Total | Net Earnings Per Share |
|---|---|---|---|---|
| **1976** | | | | |
| First (12 weeks) | $ 647,105 | $132,521 | $ 5,042 | $ .44 |
| Second (16 weeks) | 891,685 | 187,677 | 9,479 | .82 |
| Third (12 weeks) | 673,345 | 135,511 | 8,782 | .76 |
| Fourth (12 weeks) | 769,294 | 169,109 | 12,862 | 1.12 |
| Total Year ...... | $2,981,429 | $624,818 | $36,165 | $3.14 |
| **1975** | | | | |
| First (12 weeks) | $ 602,322 | $122,087 | $ 4,881 | $ .43 |
| Second (16 weeks) | 851,654 | 170,094 | 7,080 | .61 |
| Third (12 weeks) | 654,195 | 129,842 | 5,016 | .44 |
| Fourth (12 weeks) | 709,583 | 143,509 | 11,715 | 1.02 |
| Total Year ...... | $2,817,754 | $565,532 | $28,692 | $2.50 |

Touche Ross & Co. has made a limited review of the quarterly data presented above insofar as it relates to 1976 in accordance with standards prescribed by the American Institute of Certified Public Accountants. However, such limited review procedures do not constitute an examination in accordance with generally accepted auditing standards and accordingly they express no opinion thereon.

### Common Stock Data

| Quarter | Price Range* 1976 High | 1976 Low | 1975 High | 1975 Low | Dividends Paid 1976 | 1975 |
|---|---|---|---|---|---|---|
| First | $ 24¼ | $ 20 | $ 25⅞ | $ 20⅛ | $ .300 | $ .30 |
| Second | 23⅜ | 19¼ | 24 | 19⅛ | .300 | .30 |
| Third | 24 | 21¼ | 21⅞ | 16⅞ | .325 | .30 |
| Fourth | 24 | 21 | 23¼ | 18⅞ | .325 | .30 |
| | $ 24¼ | $ 19¼ | $ 25⅞ | $ 16⅞ | $1.250 | $1.20 |

*On the New York Stock Exchange.

## ESTIMATED REPLACEMENT COST DATA (UNAUDITED)

The Securities and Exchange Commission requires large companies to estimate certain replacement cost information for inventories, productive capacity (property, plant and equipment, excluding land) and related depreciation and amortization, as well as the cost of goods sold. However, it intentionally determined not to require the disclosure of the effect on net earnings of calculating cost of sales and depreciation on a current replacement cost basis, both because there are substantial theoretical problems in determining an earnings effect and because it did not believe that users should be encouraged to convert the data into a single revised net earnings figure. In addition, because of the subjective judgments and many different specific factual circumstances involved, the data may not be comparable among companies and is subject to errors of estimation. The information set forth below does not consider income tax effects.

| | Reported Historical Amounts | Estimated Replacement Cost (Unaudited) |
|---|---|---|
| | *(In thousands)* | |
| January 29, 1977 | | |
| Inventories ............... | $ 239,806 | $ 241,000 |
| Buildings and equipment ...... | $ 633,010 | $ 887,000 |
| Less accumulated depreciation and amortization .......... | 263,129 | 386,000 |
| Net buildings and equipment .. | $ 369,881 | $ 501,000 |
| For the Year Ended January 29, 1977 | | |
| Cost of goods sold, excluding amounts below ........... | $2,341,049 | $2,351,000 |
| Depreciation and amortization | | |
| Charged to cost of goods sold .................... | $ 15,562 | $ 23,000 |
| Charged to selling, general and administrative expense ..... | 27,797 | 37,000 |
| | $ 43,359 | $ 60,000 |

Property and equipment replacement costs were largely estimated from unit costs considered typical in 1976. Inventories and cost of goods sold based on replacement cost were estimated primarily based on internally generated and published price indices.

Further explanation is included in the Company's Annual Report to the SEC (Form 10-K) which is available upon request.

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## 26 CONDENSED FINANCIAL STATEMENTS—AURRERA, S.A. (UNAUDITED)

The Company had a 46.5% and 48.9% interest in Aurrera, S.A. as of January 29, 1977 and January 31, 1976, respectively. Jewel's investment, carried on the equity method, constituted 5.7% and 5.1% of its total assets at those respective dates. Jewel's equity in the net earnings of Aurrera constituted 24.2% and 26.3% of Jewel's consolidated net earnings for the fifty-two weeks ended January 29, 1977 and January 31, 1976, respectively.

The financial statements of Aurrera, S.A. at January 31, 1977 and 1976 are based upon audited financial statements examined by a major international public accounting firm as of July 31, 1977 and 1976, the end of Aurrera's fiscal year, and unaudited financial statements for the period from August 1 to January 31. Certain adjustments have been made to conform the statements to Jewel's accounting practices. Differences have occurred in depreciation/amortization policies, treatment afforded corporate reorganizations and recognition of tax effects of timing differences. In accruing its equity in the earnings of Aurrera, Jewel includes the results from August 1 to January 31 based on unaudited internal statements prepared consistent with the audited statements and gives effect to adjustments necessary to determine earnings under accounting practices and translation requirements followed by Jewel.

### STATEMENT OF FINANCIAL POSITION

| | January 31, 1977 | January 31, 1976 |
|---|---|---|
| | *(In thousands)* | |
| **Aurrera (in Pesos)** | | |
| Current assets | Ps.1,126,389 | Ps. 892,834 |
| Properties, net | 1,307,499 | 1,035,864 |
| Total assets | 2,433,888 | 1,928,698 |
| Current liabilities | 1,504,710 | 1,075,461 |
| Long-term debt | 17,123 | 95,408 |
| Other long-term liabilities | – | 14,497 |
| Net assets | Ps. 912,055 | Ps. 743,332 |
| *U.S. Translation* | $ 79,037 | $ 59,466 |
| **Reconciliation to Jewel's Investment** | | |
| Equity in book value of net assets at 46.5% in 1976 and 48.9% in 1975 | $ 36,793 | $ 29,079 |
| Adjustments to Jewel's accounting practices | | |
| Cumulative income adjustments | 1,295 | 2,087 |
| Reorganization adjustments not recognized by Jewel | (5,891) | (6,722) |
| Excess of cash investment over net assets | 14,013 | 14,750 |
| Carrying value of investment | $ 46,210 | $ 39,194 |

### STATEMENT OF EARNINGS

| | Year Ended January 31, 1977 | Year Ended January 31, 1976 |
|---|---|---|
| | *(In thousands)* | |
| **Aurrera (in Pesos)** | | |
| Sales | Ps.6,063,984 | Ps.4,934,505 |
| Earnings before statutory profit sharing and income taxes | 669,043 | 466,439 |
| Statutory profit sharing | (51,106) | (37,444) |
| Income taxes | (275,446) | (202,988) |
| Net earnings—Aurrera statements | Ps. 342,491 | Ps. 226,007 |
| *U.S. Translation* | $ 21,612 | $ 18,080 |
| **Reconciliation to Jewel's Equity in Net Earnings** | | |
| Equity in net earnings per Aurrera statements | $ 10,485 | $ 8,841 |
| Adjustments to Jewel's accounting practices | | |
| Depreciation/amortization adjustments | (15) | 138 |
| Tax timing differences and others | (697) | 305 |
| Dividend withholding tax provided | (1,026) | (1,739) |
| Equity in net earnings of Aurrera, S.A. | $ 8,747 | $ 7,545 |
| Jewel's equity in unrealized gain on foreign currency translation | $ 3,309 | $ – |

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# Ten Year Review

*(Millions of dollars, except per share figures)*

| | 1976 | 1975 | 1974 | 1973 | 1972+ | 1971 | 1970 | 1969 | 1968 | 1967+ |
|---|---|---|---|---|---|---|---|---|---|---|
| **Operating Results** | | | | | | | | | | |
| Sales: | | | | | | | | | | |
| Supermarkets | **$2,173.6** | $2,065.9 | $1,905.1 | $1,631.4 | $1,465.0 | $1,332 5 | $1,218.7 | $1,115 0 | $1,020 8 | $ 949.5 |
| General merchandise stores | **617.4** | 565.9 | 502.4 | 438.1 | 406.1 | 353.6 | 292.4 | 234 3 | 192.9 | 173.5 |
| Other operations | **190.4** | 186 0 | 191.4 | 150.1 | 138.2 | 129.1 | 122.4 | 120.3 | 124.0 | 126 0 |
| Total sales | **2,981.4** | 2,817.8 | 2,598.9 | 2,219.6 | 2,009.3 | 1,815.2 | 1,633.5 | 1,469 6 | 1,337.7 | 1,219.0 |
| Operating income (before interest and income taxes): | | | | | | | | | | |
| Supermarkets | **32.5** | 30.2 | 48.3 | 42.1 | 41.2 | 38.8 | 37.6 | 33.4 | 31 8 | 26 6 |
| General merchandise stores | **19.3** | 15.7 | 9.6 | 12.8 | 10.7 | 7.6 | 8.7 | 8 2 | 7.0 | 6.3 |
| Other operations | **6.0** | 4.9 | 4 0 | 2.3 | 1.7 | 4.1 | 4.1 | 4.3 | 3.7 | 2.7 |
| Total operating income | **57.8** | 50.8 | 61.9 | 57.2 | 53.6 | 50.5 | 50.4 | 45.9 | 42.5 | 35.6 |
| Interest income | **.8** | .8 | 1.0 | .5 | .4 | .5 | .9 | .7 | .6 | .6 |
| Interest expense: | | | | | | | | | | |
| Jewel Companies, Inc. | **(8.1)** | (9.6) | (11.8) | (8.0) | (5.6) | (5.2) | (5.3) | (3.5) | (2.4) | (2.1) |
| Real estate affiliates | **(9.7)** | (9.2) | (8.3) | (7.1) | (6.0) | (4.7) | (3.6) | (2 8) | (2.3) | (2.1) |
| Earnings of U.S. companies before income taxes and extraordinary income | **40.8** | 32.8 | 42.8 | 42.6 | 42.4 | 41.1 | 42.4 | 40.3 | 38.4 | 32.0 |
| Income taxes | **16.7** | 11.7 | 18.0 | 18.5 | 18.0 | 18 5 | 21.6 | 19 9 | 18.5 | 14.3 |
| Earnings of U.S. companies before extraordinary income | **24.1** | 21.1 | 24.8 | 24.1 | 24.4 | 22.6 | 20.8 | 20.4 | 19.9 | 17.7 |
| Equity in: | | | | | | | | | | |
| Earnings of foreign affiliates | **8.8** | 7.6 | 5.4 | 5.5 | 4.3 | 4.1 | 3.2 | 1.1 | .2 | – |
| Unrealized gain on foreign currency translation | **3.3** | | | | | | | | | |
| Net earnings before extraordinary income | **$ 36.2** | $ 28.7 | $ 30.2 | $ 29.6@ | $ 28.7@ | $ 26.7 | $ 24.0 | $ 21.5 | $ 20.1 | $ 17.7 |
| Percent of shareholders' average equity | **11.6%** | 9.8% | 11.0% | 11.8%@ | 12.5%@ | 12.7% | 13.1% | 13.5% | 13.6% | 12.7% |
| Depreciation and amortization | **$ 43.4** | $ 42.4 | $ 37.0 | $ 32.4 | $ 27.7 | $ 23.3 | $ 20.4 | $ 17.7 | $ 15.7 | $ 14.6 |
| New property, plant and equipment (net): | | | | | | | | | | |
| Jewel Companies, Inc. | **39.3** | 43.6 | 55.1 | 55.0 | 59.4 | 46.2 | 37.8 | 37.7 | 24.2 | 25.7 |
| Real estate affiliates | **12.6** | 9.9 | 22.8 | 22.5 | 18.7 | 15.6 | 21.4 | 7.4 | 11.7 | 5.1 |
| **Per Share Results*** | | | | | | | | | | |
| Earnings per common share | **$ 3.14** | $ 2 50 | $ 2.65 | $ 2.63@ | $ 2.56@ | $ 2.40 | $ 2.23 | $ 2.15 | $ 2.01 | $ 1.75 |
| Dividends paid per common share (present rate $1.30) | **1.25** | 1.20 | 1.15 | 1.11 | 1.09 | 1.03 | 1.00 | .97 | .90 | .83 |
| Percent of net earnings | **41%** | 48% | 44% | 42%@ | 43%@ | 44% | 46% | 45% | 45% | 48% |
| Equity per common share | **$ 27.89** | $ 26.06 | $ 24.78 | $ 23 25 | $ 21.11 | $ 19.51 | $ 18.06 | $ 16.15 | $ 15.01 | $ 13.86 |
| **Common Stock Information*** | | | | | | | | | | |
| Number of shareholders | **15,152** | 14,746 | 14,324 | 13,694 | 13,865 | 14,165 | 14,486 | 14,221 | 14,093 | 14,015 |
| Average number of shares (in thousands) | **11,507** | 11,452 | 11,381 | 11,217 | 11,187 | 11,099 | 10,731 | 9,995 | 9,983 | 9,987 |
| Price range - high | **$ 24¼** | $ 25⅞ | $ 29⅛ | $ 34⅛ | $ 43⅛ | $ 44⅜ | $ 36½ | $ 37⅛ | $ 36⅜ | $ 23⅜ |
| low | **19¼** | 16⅞ | 16⅝ | 18⅝ | 27⅛ | 34⅜ | 24⅜ | 28⅝ | 20⅝ | 17¾ |
| year end | **23⅝** | 21½ | 22¾ | 24⅞ | 34⅛ | 40⅜ | 35⅛ | 30⅜ | 31½ | 23⅛ |
| Price earnings ratio (on average price range) | **7.9** | 8.5 | 8.6 | 10.0@ | 13.7@ | 16.4 | 13.7 | 15.3 | 14 2 | 11.5 |
| **Financial Position** | | | | | | | | | | |
| Working capital | **$ 98.6** | $ 93.5 | $ 92.4 | $ 80.7 | $ 55 5 | $ 60.8 | $ 79.4 | $ 53.2 | $ 64.8 | $ 62.4 |
| Total assets | **811.7** | 769.9 | 749.2 | 671.6 | 578.2 | 520 0 | 486.9 | 406.5 | 349 2 | 313.8 |
| Long-term debt, less current maturities: | | | | | | | | | | |
| Jewel Companies, Inc. | **93.9** | 98.0 | 115 5 | 100.7 | 77.7 | 71.8 | 76.8 | 59.0 | 39.6 | 36.8 |
| Real estate affiliates | **118.9** | 118.3 | 114.0 | 98.3 | 83.5 | 68.9 | 61.6 | 51.9 | 48.2 | 40 0 |
| Common shareholders' equity | **321.8** | 299.4 | 283.2 | 261.2 | 236.6 | 217.5 | 199.5 | 161.7 | 150.0 | 138.4 |
| **Other Statistical Data (000's)** | | | | | | | | | | |
| Employees (full-time equiv.) | **35.1** | 35 9 | 35.3 | 34.9 | 33.5 | 32 0 | 31.9 | 29.6 | 28.1 | 26.8 |
| Square footage of retail stores: | | | | | | | | | | |
| Supermarkets | **10,186** | 10,020 | 9,648 | 8,916 | 8,511 | 7,813 | 7,591 | 7,172 | 6,732 | 6,590 |
| General merchandise stores | **6,409** | 6,276 | 6,032 | 5,659 | 5,302 | 4,863 | 4,214 | 3,335 | 2,743 | 2,385 |
| Other stores | **852** | 845 | 866 | 843 | 744 | 691 | 388 | 284 | 217 | 196 |
| Total at year end | **17,447** | 17,141 | 16,546 | 15,418 | 14,557 | 13,367 | 12,193 | 10,791 | 9,692 | 9,171 |

+ 53-week year, other years 52 weeks

* Adjusted for stock splits

@Excludes extraordinary income of $6,746,000 or $ 60 per share in 1973 and $1,199,000 or $.11 per share in 1972

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# Directors
# Jewel Companies, Inc.



**Raymond C. Baumhart, S.J.** President, Loyola University of Chicago
**Karl D. Bays** Chairman and Chief Executive Officer, American Hospital Supply Corporation
**Harry G. Beckner** Chairman, Jewel Food Stores; President, Jewel Associates
**Silas S. Cathcart** Chairman and Chief Executive Officer, Illinois Tool Works Inc. (Fasteners, Tools, Electronic Components & Plastic Packaging Products)
**Weston R. Christopherson** President and Chief Operating Officer
**George L. Clements** Retired Board Chairman and President
**Lawrence E. Fouraker** Dean of Faculty, Harvard Business School
**Helen LeB. Hilton** Dean Emeritus of the College of Home Economics, Iowa State University
**Franklin J. Lunding** Of Counsel, Scoby, Biggam & Lunding, P.C. (Attorneys)
**Richard B. Ogilvie** Partner, Isham, Lincoln & Beale (Attorneys)
**Donald S. Perkins** Chairman, Board of Directors and Chief Executive Officer; Chairman, Executive Committee
**Barbara Scott Preiskel** Senior Vice President and General Attorney, Motion Picture Association of America, Inc.
**Arthur W. Schultz** Chairman and Chief Executive Officer, Foote, Cone & Belding Communications, Inc. (Advertising Agency)
**Howard O. Wagner** Chairman, Finance Committee and Chief Financial Officer

# Corporate Officers

**Donald S. Perkins** Chairman, Board of Directors
**Weston R. Christopherson** President
**Howard O. Wagner** Chairman, Finance Committee
**Richard E. George** Executive Vice President, Finance
**Lawrence Howe** Executive Vice President and General Counsel
**Clifford R. Johnson** Executive Vice President, Real Estate and Construction
**John N. Balch** Vice President and Treasurer
**Thomas J. Byrne** Vice President, Construction
**Robert P. Dorsher** Vice President, Personnel and Industrial Relations
**Robert D. Jones** Vice President, Public Affairs
**Gene B. Kilham** Vice President and Controller
**Robert J. Sansone** Vice President, Human Resources
**Jacob J. Schnur** Vice President and Assistant General Counsel
**Edward A. Wells** Vice President, Planning and Development
**Robert F. Berrey** Secretary
**Michael H. Alden** Assistant Secretary
**Earl J. Barnes** Assistant Secretary
**Harry C. Hallowell** Assistant Controller
**Thomas P. Heneghan** Assistant Controller
**Charles E. McClellan** Assistant Controller
**Lawrence A. Metz** Assistant Secretary
**Oral Moody** Assistant Secretary
**Charles M. Moritz** Assistant Treasurer

**COMMITTEES OF THE BOARD OF DIRECTORS**

Committee on Audits:
S. S. Cathcart, Chairman
L. E. Fouraker
H. LeB. Hilton
R. B. Ogilvie
A. W. Schultz

Executive Committee:
D. S. Perkins, Chairman
H. G. Beckner
S. S. Cathcart
W. R. Christopherson
H. O. Wagner

Committee on Salaries and Employee Benefits:
F. J. Lunding, Chairman
R. C. Baumhart
K. D. Bays
G. L. Clements
B. S. Preiskel

Finance Committee:
H. O. Wagner, Chairman
W. R. Christopherson
G. L. Clements
D. S. Perkins

**Annual Meeting** The Annual Meeting will be held at 2:00 p.m. C.D.S.T. on Wednesday, June 15, 1977 at The First Chicago Center, The First National Bank of Chicago, One First National Plaza, Chicago, Illinois.

**Transfer Agents** Manufacturers Hanover Trust Company, 4 New York Plaza, New York, New York 10015.
Continental Illinois National Bank and Trust Company of Chicago, 231 South LaSalle Street, Chicago, Illinois 60604.

**Registrars** Bankers Trust Company, 16 Wall Street, New York, New York 10015.
The First National Bank of Chicago, One First National Plaza, Chicago, Illinois 60670.

**Common Stock Listing** New York Stock Exchange. Midwest Stock Exchange.

**Corporate Office** O'Hare Plaza, 5725 N. East River Road, Chicago, Illinois 60631.

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# Officers of the Jewel Companies

### Brigham's

30 Mill Street
Arlington, Massachusetts
02174
President:
Richard P. Johnson
Vice Presidents:
William F. Horgan
Jerome P. Lavely
John F. Marchesseault
Daniel F. O'Connell
Norman H. Prendergast

### Buttrey Food Stores

601 Sixth Street, S.W.
Great Falls, Montana
59404
President:
Philip R. Palm
Vice Presidents:
Paul L. Beuthien, Jr.
Lester O. Eck
Lyle T. Gorman
Eugene D. Koon
Alvin J. Larson
Harold J. Lund
Robert F. Poole
John J. Quinn
Ronald L. Slusher
Andrew Veseth

### Direct Marketing Division

Jewel Park
Barrington, Illinois 60010
President:
Betty M. McFadden
Group Vice Presidents:
Lance W. Devereaux
Herman T. Landon
Vice Presidents:
Neil S. Bonne
William J. Burmeister
John B. Elliff
Alvin P. Jorgensen
Garry B. King
Howard G. Koorhan
William M. Moore
A. Keith Pierson
Robert A. Woodsome

### Eisner Food & Agency Stores

301 E. Wilbur Heights Road
Champaign, Illinois 61823
President:
David L. Diana
Group Vice President:
Leland G. Wise
Vice Presidents:
Roy D. Brazelton
Adrian F. Brown
Donald E. Hadley
J. Patrick Johnston
Richard E. Lebo
Samuel J. Parker
Martin A. Scholtens
Controller:
Douglas D. Myers

### Jewel Food Stores

1955 West North Avenue
Melrose Park, Illinois
60160
Chairman:
Harry G. Beckner
President:
Walter Y. Elisha
Executive Vice Presidents:
Arthur T. Dalton
Joseph F. Grimes
William E. Oddy
Ronald D. Peterson
Group Vice Presidents:
Joseph V. Bugos
Daniel E. Josephs
P. Neill Petronella
Dean R. Spencer
Louis V. Stadler
Vice Presidents:
Jane Armstrong
Herman J. Becker
Larry R. Belcaster
Richard H. Bevier
James M. Chase
Marshall J. Collins
Andrew J. Cosentino
Francis P. Daleiden
Dean C. Danhour
Herbert A. Dotterer
Lawrence J. Fernstrom
Loren D. Galbraith
Thomas P. Green
James W. Grew
Gerald L. Hansen
John R. Haugabrook
Alfred G. Jacobsma
Albert J. Kara
Jack T. Kyvik
Ralph W. Miller, Jr.
Robert A. Neslund
William H. Newby
Robert A. Popaditch
W. Steven Rubow
Stephen L. Schlecht
Hans J. Schmucky
Harry L. Segal
John A. Shields
Raymond A. Stone
W. Charles Thor, Jr.
Frank J. Thuy, Jr.
Frank J. Tyska
James P. Walsh
Walter B. Wilson

### Mass Feeding Corporation

2241 Pratt Boulevard
Elk Grove Village, Illinois
60007
President:
Thomas F. Harwood
Vice Presidents:
Ronald J. Floto
Guy A. Graham
K. Lee Guse
Edward W. McQuiston
Controller:
James P. O'Connor

### Osco Drug, Inc.

**Osco Drug Stores**
**Turn*Style**
**Republic Lumber**
1818 Swift Drive
Oak Brook, Illinois
60521
President:
Richard G. Cline
Vice Presidents:
Edward F. Buron
Peter W. Cook
Harvey S. Durand
John Edwards
Jon T. Fuglestad
David F. Gillis
Ronald R. Green
Ronald E. Grove
Gerald R. Haack
Glen R. Henricks
Donald C. Hoscheit
William M. Jacobs, Jr.
James A. Johnson
Michael S. Kaplan
Darrell L. Lewis
Byron K. Luke
David L. Maher
Robert C. Nakasone
John H. O'Connell
Paul E. Pentz
Robert H. Quayle III
Harold G. Raiman
Haven A. Ready
F. Peter Schliesmann, Jr.
John P. Spurlock
George V. Trumbull
Russell B. Wright
Herbert R. Young
Controller:
John L. Benner

### Star Market Co.

625 Mt. Auburn Street
Cambridge, Massachusetts
02138
Chairman:
John M. Mugar
President:
James H. Henson
Group Vice Presidents:
Jack der Avedisian
Richard Diran
Vice Presidents:
Haig Harotunian
Robert H. Jacobson
W. Bruce Krueger
Carmen Lanza
Raymond J. Larocca
David B. Moffatt
Kathryn M. Nicholson
John Pini
H. Verne Powell
Walter F. Rajewski
Alan G. Rayen
Jeffrey K. Schaffer
Thomas P. Stemberg
James T. Wixtead

### White Hen Pantry

666 Industrial Drive
Elmhurst, Illinois 60126
President:
Jo H. Armstrong
Vice Presidents:
George S. Bovis
Allen S. Davis
Robert B. Knight
Robert G. Robertson

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# 1976 Annual Report

Jewel Companies, Inc.
O'Hare Plaza
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Chicago, Illinois 60631

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